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FROM : AMEMBASSY, ROME

DATE: February 6, 1967

SUBJECT : CIVAIR: Record of Italy-US Preliminary Talks in Rome, January 12 and 13, 1967

REF :

Attached as Enclosure 1 to this airgram is an informal summary record of the preliminary civil aviation talks held in Rome on January 12 and 13, 1967 between an Italian delegation led by Ambassador Capomazza and an American delegation led by Deputy Assistant Secretary of State Loy.

While no stenographic or tape recorded notes were kept, both sides made extensive notes during the meeting. The enclosed version is mainly derived from notes made by the American delegation, but includes in part III and VI borrowings from the Italian Foreign Ministry notes.

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Drafted by: ECON:PCNarten/ad

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From: Rome A-654
Enclosure 1

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US-ITALY PRELIMINARY TALKS ON CIVIL AVIATION

PARTICIPANTS:

Ambassador Benedetto Capomazza di Cam[illegible]lattaro, Italian Foreign Ministry
General Felice Santini, Inspector General of Civil Aviation
Counsellor Maurilio Varalda, Foreign Ministry
Counsellor Marcello Serafini, Foreign Ministry
Dott. Angelo Caruso, Inspectorate General of Civil Aviation
Frank E. Loy, Deputy Assistant Secretary of State
Joseph Minetti, Member, Civil Aeronautics Board
Sydney Mellen, Economic Minister, American Embassy
Joseph Watson, Director, Bureau of International Affairs, Civil Aeronautics Board
Philip C. Narten, American Embassy

PLACE: Italian Foreign Ministry

TIME: January 12 and 13, 1967

PART I

The meetings were held in a Foreign Ministry Conference room with simultaneous translation facilities. After introductions and pleasantries, Ambassador Capomazza led off by reading a prepared statement in English along these lines:

Our Government is happy to welcome the American delegation; Italians always feel at home when talking and negotiating with their American friends. We hope the negotiations will be successful, and we feel that an agreement cannot be satisfactory if it is not businesslike and is not conceived with the feet of both parties on the ground. The Italians firmly resolve to arrive at a satisfactory conclusion of the negotiations before May 31. Why? First, as friends and allies, we do not believe a negotiation should last too long. Second and foremost, we wish to avoid the risk of a period in which the aviation relations between the two countries go unregulated.

Why did we denounce the 1948 agreement? I ask this question in order to dispel any misunderstandings and because it gives us the opportunity to put forth the gist of the situation as we see it and as we think it actually is.

With your permission I will give some of the historical background. The Armistice between our countries in World War II was in 1943, and the Peace Treaty was signed in February 1947. As early as July 1947, the US began pressing for an air agreement. The US had, I believe, concluded 23 agreements up to then, mostly with countries who had no civil aviation capabilities. The US wished that Italy's first post-war civil aviation agreement would be with the US. We had been on the point of concluding

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an agreement with Argentina but the US asked us to postpone the Argentine agreement in order to make the agreement of February 6, 1948 Italy's first post-war treaty.

Could we refuse? We could refuse nothing because we were grateful for the assistance the US had given in our reconstruction and we wanted to regain US friendship after the sad parenthesis of the war.

I turn now to the 1948 agreement. It is in two parts: First the normative agreement, and second the route schedule. The normative agreement follows Bermuda principles of which I will have more to say later. However, we have an old Roman expression "in cauda venemum" - the venom is in the tail - and the second part is the real agreement. It says: "An airline or airlines designated by the Government of Italy shall be entitled to operate air services on a route or routes and to make scheduled landings in the US at a point or points to be agreed to by the Government of the United States of America and the Government of Italy at such time as the Government of Italy resolves to commence operations." Was anything foreseen in the agreement for the time when the Government of Italy would become ready? So far as I have been able to find, there is only the consultation that is found in Article 10. Thus, the US has all rights and Italy has no rights whatsoever. We knew we had to pay our passage through a lengthy and painful process of consultations for limited rights, always to be agreed upon later.

I see no point in reviewing the history of negotiations of the last eighteen years. In 1950 we obtain scheduled rights at Boston and New York; in 1958 already ten years had passed, in January and February 1960, in November and December 1964, in June 1965, in March 1966. It might seem petulant, boring and punctilious if we went through the history of these negotiations. On the other hand it might be instructive.

Suffice it to say that the agreement appears to us to be unequal and can only be compared to the sort of agreements that were made in the last centuries by the western powers with China and Egypt. This was partly due to historical conditions, since we had no civil aviation at the time the agreement was made, although Italy had always been a pioneer in civil aviation and was also traditionally a country of carriers of international trade. What I wish to emphasize is that the 1948 agreement has been unpalatable to us because we have never been able to achieve satisfactory amendments to it.

In this connection I would like to put forth two facts: 1. In the exchange of notes of August 4, 1960, schedule 2 gave Italy routes via intermediate points to Chicago. It also said that beyond rights shall be exercised by an Italian airline only on services through New York to points in other countries to be determined later. We have never been able to get compliance with this schedule of beyond rights. I might mention in passing that a route Italy via Montreal to Los Angeles never found its way into an official exchange of notes even though Italy was committed not to begin such a route before May 1961. The US insisted that this route be subordinated

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to a complicated presentation of statistical data. This statistical misunderstanding has weighed heavily in convincing us of the wisdom of denouncing the agreement.

2. The next point unfortunately involves a diplomatic note from the American Embassy in Rome. I refer to Note No. 98 of July 28, 1966, which is quite recent. This note is a long juridical exercise which makes no attempt to conceal the basic inequality of the transport agreement. In about 2,000 words, it says that when beyond rights concern the US they must be automatically granted. However, when they concern Italy, they must be determined through consultations. The note, in fact, goes so far as to say that "this is the essential difference between the TWA route beyond Rome and Alitalia's route beyond New York." The note also says that "the US Government enjoys similar beyond rights in bilateral transport agreements with other European countries" that have been applied in the same way. It should be noted in this connection that the discussion of beyond rights in the decision of December 22, 1963 of the Arbitration Tribunal established pursuant to an arbitration agreement of January 22, 1963 between the US and France supports this view. It stated that "the choice of specific itinerary or itineraries is left, within certain limits, to the state whose air carriers are authorized to serve the routes."

This proves that the US has similar difficulties with other countries, and it further proves that the Arbitration Tribunal limited the American rights in this matter. We must also remember the context in which such problems arise: France enjoys wide beyond rights in the US, and yet you have had trouble with France on this point anyway.

The note also compares the delay of four months in the US approval of the Italian route via Lisbon, with Italy's request for justification for American beyond rights to Bangkok. It points out that in the US a foreign carrier must have a permit issued by the Civil Aeronautics Board, and that among the criteria used by the CAB in issuing such permits are "that such transportation be in the public interest, and that hearings for such permits may take several months." In Italy we have no obligatory regulation of this kind. Requests for route authorizations must be submitted to the proper authorities, and are generally issued at once. Should Italy really have to create new legislation in order to establish reciprocity of timing between our relatively simple procedures and the complicated ones employed by the US?

This note of July 26, 1966 establishes the inequality of the air transport agreement, and shows that after eighteen years no flexibility exists in the US position. This note is dynamite, and would greatly embarrass the two Governments should it appear in the press. That is why our public position has been that these negotiations are technical - in order to prevent them from having any bad effects on our friendly political relations. One of the problems of the present agreement is that it has created temptations for the US carriers to press the US Government to assert its legal superiority.

I would like to say also that it has not been easy for the Italian Government to

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denounce the agreement. We have delayed and forewarned many times. The agreement was saved on a couple of occasions by Italian Government crises or the threat of crises. Minister Fanfani drew this to the attention of Secretary Rusk during his discussions in Washington in 1964. When we finally decided to denounce the agreement we tried to limit its effect in the news. We agreed with the US Embassy that it should be treated as a technical and not a political act, but, in this room, we can frankly say that without a new attitude on the part of the US it will be very difficult to reach a new agreement. The 1948 agreement is dead and dead things do not come to life again.

Now, let us leave history behind and let us look at the future. We look on a new agreement as one which will be a balanced instrument giving reciprocity and encouraging aviation development. In such an agreement, we can expect full beyond rights for Italy too. Our claim to "favored nation treatment" is justified not only for obvious political reasons, but by the importance of Alitalia as a prominent carrier, and because Alitalia is one of the best customers of your aeronautical industry. I do not say most-favored nation, because this cannot be applied in aviation matters. However, we feel that Italy is geographically most favored and that it is an important market because of tourism. We therefore feel fully entitled to a favored treatment because we are in a position to pay the price and in fact we have been making advance payments for many years.

On capacity. This question has had paramount importance in the past, partly because Italy did not have full rights in other matters. Also, there has been the example of America's two carriers with 66 flights per week compared to our 37, and America's enjoyment of full fifth-freedom privileges both intermediate and beyond. It is true that we may have nourished reciprocal mistrust. We may have suspected the US of wanting to over-extend the capacity offered, at the expense of Alitalia, and you may have suspected us of wanting to restrict your operations. But what we have in mind is not rigid predetermination of capacity, but the creation of some system which will permit a flexible regulation of capacity in order to insure an orderly development of a growing market, and fair competition between the carriers.

After all these years of negotiations, you have probably been able to forecast in advance what I was going to say. I would now like to ask what you plan to do to provide equal treatment and to permit us to enjoy the rights to which we are entitled.

We would have wished for these preliminary talks to have been more extensive in order to express our thoughts more precisely. However, we have accepted Mr. Loy's concepts of the talks in order not to bog down in procedural matters. I hope that you will appreciate the fact that our position in this regard has been helpful.

PART II

Mr. Loy then spoke for the American delegation in the following terms: May I say on behalf of all of us, that I consider your remarks to have been helpful, and a clear and useful statement of the Italian view. It is well that you avoided detail, and yet brought forth the essential problems the Italian Government has found in the current situation.

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In this discussion today it is important that we understand what really motivates and concerns you, and that you understand what really motivates and concerns us. This is the most important function of this discussion.

I would like to make a few comments based on what you have said, that also will essentially reflect the US view.

First I would like to say that in general, relations between the US and Italy have always been good, and that we value the cooperative attitude and friendship that Italy has shown in many fields. We are also determined that this cancerous thing between us in the field of civil aviation be resolved. We know that you did not arrive at denunciation lightly, and that your denunciation reflects extreme frustration at the way our civil aviation relations have developed. We are sorry that you found it necessary to denounce the agreement. However, it is only fair to say that we feel no guilt complex about that act. We feel - contrary to you - that our behavior has been reasonable and correct and that a number of the frustrations and complaints you have had are either illusory, or involve problems that we have in times past offered to resolve satisfactorily.

We are prepared to make a good and intelligent agreement. We are not prepared to make an agreement that is not in our interest, merely because of the denunciation.

I too wish to skip lightly over history. But I would like to say that, looked at in 1967, we do not feel that the 1948 agreement was an unholy agreement that was imposed on a defenseless country. If it had not been changed since then, and if rights had not been added for Italy, our position would probably be indefensible.

There is no question that in 1948, we could mount an air service and Italy could not. But when it came time for Italy to serve, we did "fill in the original route schedule," and we have since offered other changes; so we do not find 1948 is an embarrassing item to dwell on. It is a similar agreement to others made with other countries, including those who had been our allies during the war, and the capacity clauses, for example, were in line with the concepts developed at the 1944 Chicago convention. I would like to say here that we do not ask you to accept our feelings on this subject, but we do feel that you should know how we see it.

We look at the problem today in a non-historical way. The question is: is what we have adequate, or is the agreement impossibly uneven? We certainly do not feel that the present agreement must be kept in every particular as it is today. It may not be ideal, as you say it may be dead and we may have to start from scratch. In that case, what do we look for in the new Italian agreement - as in all other agreements we make?

1. We want to promote an expanding, technically efficient air transport system. This is not because we generally have the best interests of the rest of the world closest to our heart, but because we provide a large percentage of the air transport market and we want better services for our travellers. This sometimes puts us in conflict with our own carriers. But we also have our carriers' interests at heart and we seek a fair opportunity for them to compete for the air transport market.

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2. We are wed to the Bermuda type of agreement in the broadest sense. People sometimes wonder how pure our commitment is to Bermuda principles. Are we being hypocritical when we talk about them? I don't think I am violating any confidence by admitting that we have made some agreements that do violence to Bermuda principles. However, out of 62 air transport agreements that we have, 57 of them are basic commitments to the principle that we do not make arrangements in which carriers carve up or split the available market. In the case of some countries, where the country itself or its airline is in a rudimentary state of development, we have made temporary arrangements which defer but do not exclude Bermuda principles. As I say, we have been accused of being doctrinaire, even religious, on this issue. But we have recently fundamentally re-examined this commitment to see whether it is wise or unwise. We have looked very hard at this, also in connection with the Italian agreement, and we have not changed our minds.

We know that this is counter to the way you like to make agreements. But we cannot make with the Italians an agreement that violates the others we have made around the world. By the way, I am happy you said you are not interested in pre-determination of capacity. Our fundamental position is clear: we are concerned not only with direct pre-determination, but also with arrangements that drift into that kind of framework. One of the reasons we tend to be somewhat rigid, is that we have looked honestly at the effect of our conduct on other carriers, including Alitalia, and we don't see damage to us or to them. Indeed, if arrangements that have been proposed in the past on capacity had been put into effect, it would have depressed Alitalia's development more than that of US carriers. In other words we would find it easier to reconsider our position if we found that our principles had worked to the detriment of our aviation partners.

3. Reciprocity. This is critical in an agreement between two proud and sovereign countries. You want, and we want a reciprocal agreement by which we mean a fair, equal, balanced agreement. However, our concepts of what constitutes this balance may not be identical. To be clear, may I stress that the way we see bilaterals with Italy and with others is that they are basically agreements of a commercial nature which are designed to provide service to the public, and which are a commercial bargain in which opportunities for revenues and profits are balanced. That is the reciprocity we must seek. This may involve visual reciprocity in routes, or it may not. In fact, mirror reciprocity does not necessarily balance. In this connection, I am not saying that we think the present agreement is in balance. It does not mean that added route grants to Italy could not be made. It does mean that if the Italian delegation thinks visual reciprocity is needed in the new agreement, we may possibly be in trouble.

For example, we could have an agreement in which the route structure was Rome-New York for each side and Milan-St. Louis for each side. This would be mirror reciprocity and balance. But when you introduce intermediate points you introduce a complexity. Rome-London-New York and Rome-Lisbon-New York gives Italy a chance to earn revenues which are not balanced for the American side. Leaving aside the imbalance

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of intermediate points, we can play with beyond points. We could have a route US-Rome and beyond for us, and Italy-New York and beyond for you. This might have visual balance but it is a question whether it would be a sound route for either side or for the travelling public. Some mirror image routes are balanced and some are not, and the fifth freedom rights that Italy gets for intermediate stops are more valuable than any we get, which is shown by the history and revenues of the routes concerned.

There is another difference, the geography of the two countries. The US is essentially an origin and termination market, while Italy is an attractive part of Europe which visitors travel to see and also to get to other countries - it is a large transit country.

Another difference is the identity and make up of the travel market. Across the Atlantic the US supplies some 60 percent of air travellers; in other words more than all of Europe put together. You can argue about the significance of this fact. In this case, we have never taken the position that there need be a relationship between the percentage of US travellers on a route, and the percentage of passengers carried by US carriers. I don't think this would be unreasonable, but we have not, partly because it would not be consonant with our ideas of competitive development. Still, we do not consider it logical reciprocity that in an agreement the US is permitted to carry <u>its</u> American passengers to and through country X, while country X carries its passengers to the US and then carries <u>US</u> passengers on to a third country. We don't think for example that other carriers should be a major force in carrying American passengers between the US and Latin America or between the US and the Far East. We may have made mistakes in some agreements we have made, and there are possibly places where such a situation in fact exists; but we still don't see any logic in it. I might say that there are others in the US who feel even more strongly about it than I do.

To sum up: we came here for initial informal discussions which we hope will lead to resolution of the differences between us. We think it ought to be possible. Recognizing, as you say, that the denunciation means the 1948 agreement is dead - or will be dead on May 31st- we must stress that we will not be able to make a new agreement, because of the denunciation, that we would otherwise find contrary to our interests. We feel Alitalia's growth has been phenomenal, and that it is the logical result of Italy's historic position as a supplier of transportation.

Italy has grown enormously in the percentage it carries of passengers between the US and Italy. Since 1961 it has been 50 percent or more. We are also almost perfectly happy that in the cargo field Italy's percentage is even greater, about 60 percent. We don't think these facts determine absolutely whether the agreement is equal or not, but these facts influence our thinking when we consider the balance of the agreement. The addition of Los Angeles to the Italian route structure would make an enormous difference, by adding revenues to the Italian side. We are prepared to consider

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adding anything you think necessary. But we also believe that the present agreement has not been intolerably unbalanced, nor that it needs radical alteration.

Ambassador Capomazza replied: We thank you Mr. Loy for the clear exposition of the US position. We are glad that it was businesslike, because it is easier if we are not doctrinaire. We Italians are not doctrinaire and if the US were it would mean we would have a philosophical conflict. We are satisfied that you understand our reasons for denunciation, and are aware of the embarrassment that the treaty has caused us. One point: as I said, but perhaps not clearly enough, independently of the historical situation, the main reason we were brought to this step has been our inability - perhaps because we have been bad negotiators - to negotiate a better agreement. Instead, we have found ourselves up against a wall.

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PART III

After a brief recess, General Santini took the floor, reading a prepared statement in Italian:
The Head of the Italian Delegation has presented the general lines of the Italian position. Allow me to add some technical details to the statement made by Ambassador Capomazza.

In order to clarify the proceedings of the present negotiations, it is, I think, appropriate to present the fundamental traits of each single problem so as to find an understanding on the decisions we are to reach together.

The problems that have to be examined in their general context are routes, capacity, designation of carriers, procedures of program approval, and procedures for adoption and approval of tariffs.

I hope to indicate essential points as we see them in order to reach a solution of these problems.

1) Routes

I shall mention the previous situation not with the purpose of recalling, during the present negotiations, previous controversies, but with the sole purpose of a realistic examination of the situation so as to be able to avoid, after the conclusion of our new agreement, new controversies.

The structure of route grants in the past agreement did not present itself in a uniform manner for the two parties: United States routes were completely free both on intermediate and beyond points. Italian routes were rigidly bound and limited, with the only exception of intermediate points where both parties had equal standing. A very serious situation had arisen under the old agreement for the Italian carrier: Alitalia was never able to operate any service "beyond" the territory of the United States, even though such operations were foreseen by the agreement in unspecified form.

The Italian Delegation feels that the new agreement should modify this situation, which appears to be in contrast with the principle of reciprocity contained in every agreement and to ensure proper harmony and cooperation.

I would say that from what I have just mentioned derive two essential needs:

a) the need to determine routes point by point for both parties, so as to know, from the moment the agreement is concluded, the effective possibilities of both parties;

b) the need to compensate intermediate points, beyond points, and points in the territory of the other Party, so that there be ensured within the framework of routes a well balanced concession of points, which was lacking in the previous agreement.

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I think that these are acceptable elements of evaluation on the problem of an equitable balance of routes. At the present stage of negotiations I would prefer not to get down to details, since it is necessary first to agree in principle before formulating balanced route schedules.

2) Capacity

I will not recall past recurrent difficulties. They constitute however, an experience which should enable us to prevent similar situations under the new agreement.

There is no intention on the Italian side to bind capacity and frequencies to a definite pre-determined formula, which apparently could not contribute to the needs of regular traffic development, especially in the Italy-USA sector, where the large flow of passenger traffic requires a certain margin of flexibility.

On the other hand, between a rigidly pre-determined situation and the situation that resulted from the previous agreement (where determination of capacity and frequencies was left to the unilateral and discretionary decision of airlines) there are intermediate alternatives, that could meet requirements for an orderly development of capacity and frequencies taking in due account real traffic needs.

Furthermore determination of capacity cannot be left solely to the designated airlines with the total elimination of Government decisional power. In this respect air traffic has acquired growing importance in international relations that fully concern public responsibility.

According to the Italian Delegation, the future air agreement, besides granting adequate operational freedom to designated airlines, must determine the grounds upon which the carriers will operate.

The Italian Delegation is studying a clause to meet the above-mentioned requirements and reserves the right to bring a draft to the attention of the United States Delegation at the appropriate moment.

3) Designation of Airlines

This problem requires careful perusal. It involves the principles of reciprocity. It is a known fact that the possibilities of designating several airlines is a pure theoretical assumption for Italy, whereas it constitutes a reality of the United States.

However, it is not on this aspect that I wish to draw the particular attention of the United States Delegation. I would rather draw attention on the practical and troublesome consequences of designating several airlines, a fact that can unduly involve the problem of capacity. Two airlines of one country, with

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noteworthy potential in equipment, personnel and financial means, but without adequate coordination of their operational activity, are inclined to bring on the market the greatest possible capacity, exasperating the problem in regard to air relations with another country.

I shall not say more on this question. Its importance is such, that it has already attracted, as I understand, the worried attention of the United States authorities. And even though the principle of competition was recently re-asserted in regard to points instead of sectors, nevertheless the problems arising out of indiscriminate competition have been laid down and one cannot deny that they are with us now.

The Italian Delegation would like to ask the United States Delegation to study these problems (which are fundamental for the Italian side) so as to make it easier to reach an agreement.

4) Approval of Operational Plans and Time-Tables

All operational plans and timetables of Italian and foreign airlines operating in Italy must be approved, without exception, by the Italian Administration. Only United States carriers, on the basis of the United States interpretation of the previous agreement, simply notify their operational plans and timetables to the Italian Civil Aviation Authority, through the good offices of the American Embassy in Rome, only for information purposes.

This different procedural approach, which is limited to American air carriers only undoubtedly constitutes a discriminatory practice which has been noted by other carriers. Therefore, the Italian Delegation feels that the matter must be specifically defined in the new air agreement.

Substantive and formal reasons require properly defined rules in this matter.

From a substantive point of view suffice it to recall what I just stated on the need for an arrangement in regard to capacity. The act of approval would sanction the fact that airlines of both countries abide by the arrangement.

From a formal point of view the act of approval involves procedures applicable in Italy. Approval is requested for the Italian airline that is under government charter. It is absurd to think a grant required for the national carrier should be omitted for any foreign carrier.

The Italian Delegation shall propose an adequate clause when the time comes to draft the agreement.

5) Rates

The formula contemplated in the previous agreement contained many elements of uncertainty and did not define in clear and precise terms, as the matter

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requires, the machinery of formation, approval, enactment and suspension of rates.

It is in the interest of both parties to regulate the matter clearly and therefore to agree on all rate problems and principally on the above-mentioned aspects.

I have deemed it appropriate to state the fundamental issues for which, in the opinion of the Italian Delegation, it is necessary to reach an agreement in principle, so as to proceed toward details and final drafting of the normative part of the new agreement.

PART IV

A general discussion followed:

Mr. Loy: General Santini has made a valuable contribution and furthered our discussion. As everyone knows, we have had a number of discussions with General Santini, and even though we have had great difficulty in reaching agreement, we have always found him an able exponent of his Government's position, as well as a polite and pleasant person to deal with.

Some points and questions:

1. We take note of the General's position that capacity should be somewhere between rigid determination and complete freedom, and that an intermediate way will make possible orderly development. This certainly is our view. We don't think the Governments should be out of the picture. We also don't think the present arrangements put them out of the picture. We don't think pure and unlimited freedom now exists. Capacity must be related to certain standards. We think past experience proves that no special arrangements are necessary, but we will be more than willing to examine the clause to which the General refers that would help regulate capacity and that we could work with. It might be desirable if we could have this formula to look at before we leave or before we meet again. It would facilitate matters at the next session.

2. Designation. We are aware that the principle of multiple designation has been used only by the US because of the way Italy's air services are organized. We believe our practice in the past has been rather cautious and has not resulted in a situation in which the market or the Italian competitor has really been hurt. We understand your concern that in the future this might turn out to be harmful, but history leads us to believe it ought not to be a problem. Specifically the growth of the Italian carrier in the face of multiple American carriers shows this. I would like to ask what the Italian delegation has in mind? Could we know this afternoon? We are rather firmly committed to providing competition in big markets between our carriers.

3. Approval of operations. I am not certain I fully understand the issue involved. This is another point we would like to have clarified this afternoon. If the issue is the same as that to which Ambassador Capomazza refers - specifically the Lisbon-US route grant - then I might say three words: It is fair to say that US Government

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structure has its complexities. We are prepared to accept the proposition but as a rule a four-month delay in granting rights provided for in an agreement is undesirable. It was unfortunate in the Lisbon case, but it was not the fault of the CAB (may I say in deference to the gentlemen on both sides of me) which acted with dispatch. We can understand your unhappiness, but we do not believe it qualifies as a cause celebre. If the US had said "No", or delayed a year, or made unreasonable restrictions, none of which was the case, this might be more serious. As we see it the rights Italy has have been exerciseable. The critical issue, of Italy receiving through the certification process the full rights to which it was entitled, has been satisfied. I am not sure, though, that this is the point the Italian delegation is trying to make.

We would be interested in knowing more about your views on rates. We would like to understand them better, and perhaps have something in writing about what you suggest. Now I have a question based on the Italian list of issues: What is the view of the Italian delegation on the text of the agreement on other issues not included with these in dispute? Do you regard these negotiations as requiring complete rewriting from A to Z of the agreement, or do you feel that many of the sections of the present treaty will be usable in the new agreement?

Ambassador Capomazza suggested a recess until the next morning to work over the Italian formulas. General Santini thanked Mr. Loy for his kind words, but noted that this time he is not "facing" Mr. Loy but is "di sbieco" (so to say on the sidelines). He listed Mr. Loy's questions to be sure it was clear what the US side wanted: 1. A formula for capacity; 2. views on designation of carriers; 3. clarification of Italian views on approval of programs; 4. Italian views on rates. Also, whether the other sections of the treaty not mentioned by him would have to be re-written. Ambassador Capomazza reproposed a recess until the next morning, and Mr. Loy accepted. Mr. Loy said,"I know we can't go too far down the road at this preliminary round, but if we could have a better knowledge of the Italian position, it would be helpful."

It was agreed to meet Friday morning at 10:30 and that the question of the time and place of the formal negotiations would be discussed as the last order of business in the preliminary talks.

PART V

Ambassador Capomazza reconvened the meeting and his statement was substantially the following.

The Italian delegation has tried to piece together what Mr. Loy said and we think our combined version is fairly close. We used a formula that I suggested: when in doubt choose the interpretation least favorable to us. I would like to make a few remarks about this text that we have drawn up.

1. Regarding the statement that the air agreement with Italy is similar to those the US has with other countries: We don't want to enter into polemics, but what

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we have in mind when we dispute this are primarily the beyond New York and the Los Angeles clauses that never found their way through into operation. If this had not been the case we would probably have gone on with the present treaty, but on account of these two non-materialized commitments, the opinion grew that we had to denounce. That is also why we cannot accept what Mr. Loy said about the 1948 treaty being amendable. We feel it is dead. It could have been amended, but it was not, and now we have to start from scratch.

2. On capacity you have said "we have often examined fundamentally whether our commitment is wise or unwise. Our belief in our commitment has in no way weakened or changed; therefore we are happy to learn you are not talking about pre-determination." As General Santini said, we are studying a formula to take care of this bothersome problem. The formula will be a middle way between rigid pre-determination, which we exclude, and utter license. We want to leave margins within which carriers can plan their programs. The formula is not ready yet, but we will either present it at the next meeting, or send it so that it reaches you two weeks or so before the next meeting.

3. Mr. Loy stressed the characteristics of bilateral agreements as seen by the US. He said they must be commercial agreements and must be economically sound in the way of making profits. He gave examples of the practical meaning of economical. He went on to speak of revenue reciprocity, rather than visual reciprocity. He said that if Alitalia made revenues on a non-visual route, that should be all right. We understand and may even accept the idea that reciprocity may not be visual. But we stick up for the old American principle of equality of opportunity.

4. You went on to describe the differences in geographic positions. We have been aware of this since America was discovered. But we would like to point out that if the US is an important terminal market, Italy is also an important terminal market. A few figures on tourists which are a tremendous source of income for carriers: In 1965, 13.9 million tourists came to Italy and registered in hotels excluding border crossers from contiguous countries who came across for the day. Of these, 1,689,000 were US citizens. Why do they come? There must be something attractive here. A country that provides summer and winter resorts, and enormous cultural and artistic resources, means a lot for foreign airlines. This peninsula placed across the US route to the Far East is important, and all in all you should not underestimate its importance to you. I say this because when you consider the nationality of tourists, you should also consider the importance of the place where they want to go. Paris attracts tourists but it would not if it were not Paris. The same is true for Italy.

5. You spoke of Alitalia's growth. We are aware of this and we take this as a compliment. But if Alitalia has grown from 1948 to today, and we accept that US traffic has been a component of this growth, all of Italy has also grown. Our national income for example has grown from 11.3 billion dollars in 1948 to 56.7 billion dollars in 1965. Our per capita income has increased from $245 in 19[illegible] to $1,095 in 1965. Our gold reserves have grown from $514 million at current prices in 1948 to $3,866 million in 1965. Alitalia's contribution to the credit side of our balance of

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payments was $148 million last year and amounted to 1.34 percent of the credit side of our balance of payments. I'll spare you the rest of these figures because they are too boring but you get the idea.

6. Speaking of capacity, you said the Government should be in the picture. We agree, and thus we are going to present a formula that we hope will prevent disorderly development.

7. We spoke of the designation of airlines. By this we mean that one carrier designated by you for the Italian market would be enough. The CAB has only given a temporary permit to the second carrier. We think that this would be very good all the way around. It would not limit air traffic but it would help remove what you have called this cancerous problem that troubles our relations.

8. Approval of programs. We know that you have procedures that have to be respected. We don't want to build up the Lisbon problem. We would not have mentioned it if the whole treaty had not come under scrutiny. We have also some rules in Italy and we apply them to all but US carriers, which escape because of the interpretation of the 1948 agreement. But other countries have claimed that Italy is discriminating against them for this reason. Our permits are issued practically at once. We would like the treaty to state that the US will comply with the same provisions as the other carriers.

9. You asked for our views on rates: There is a procedure for the approval of rates and tariffs that we must establish so that in the beginning of a new tariff or rate, it must be approved by both sides. So that up until then the old rate should continue to apply. We don't by this want to prejudice the fact that we wish to promote the development of civil aviation in the public interest. We are not suggesting a freeze. Instead, we are very open to adapting rates. We do wish to avoid the fait accompli.

10. Finally you asked us if we were willing to give you a draft of the new agreement. We will prepare it and we will try to get it to you a couple of weeks before we meet again.

May I comment on the second group of Mr. Loy's remarks. He ended by saying that in the past the US has been favorable to a Los Angeles route, and is now prepared to make additional concessions. We consider that it would be wise and practical if the next time we meet we consider the route schedule first and then the rest of the agreement. As I have said before, we consider the schedule to be the whole agreement. Of course, the agreement is a package deal involving many factors but I think the important things should be talked of first. I can say that I am the oldest in age of this group, but the youngest in civil aviation negotiations, and yet I can see that the past would have gone better if we had been more businesslike.

Let us leave philosophical questions of Bermuda for later, keep our feet on the ground

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and work out balanced concessions of routes. Once we have a green light there, we can move on to other matters. I would like to say that on this you will find me adamant. I want to keep my mind clear. Be prepared, please, to have the important matters discussed first. We would have liked to have discussed route questions here today, but, and I say this without recriminations, it was impossible for you to do so.

Mr. Loy: I have a couple of responses to some remarks you have made, and I think of my responses as following our basic theme and purpose: that you understand our position whether you share it or not, and that we explore what you have said to be sure we understand you. First about the history. We both say we are not going to talk about it but then we do. I am not sure this is terribly profitable. We understand your feelings about the agreement, and that you have found our behavior and the effects of the agreement intolerable and have therefore had to denounce it. When the agreement was made in 1948, Italy did not know what it wanted, and the agreement was written in such a way that flesh could be added to skeleton later. When Italy wanted New York and Boston that was approved. Subsequently, when Italy wanted Chicago, we got the optical point of Turin in exchange but we never operated there. We knew at the time that it would not be a likely profitable point. When Los Angeles first came up, I would like to stress that it was made part of a package that we think made a great of sense. It was based on the proposition that everyone felt strongly we would never be able to have a successful ex-post-facto review procedure unless we could agree on ground rules beforehand. So the first discussion of Los Angeles was in the context of a package which included agreement on ground rules. If we had ever used the ground rules, they would not have proved to favor the US at the expense of Italy. This was felt on both sides, and the Italian delegation agreed to this and felt that the ground rules were a desirable clarification of how ex-post-facto review would operate. There was no reason for Italy to fear it.

Certain other countries, particularly in the Northern part of the European continent, were afraid of these ground rules as a possible challenge to their routes to the US. Italy was in a totally different context since Italy-US traffic is essentially third and fourth freedom traffic. Therefore the ground rules were not a terrible price to exact, and we in fact had agreement, and it fell apart and you know why better than we do. My guess is that it was due to intra-European relationships. But neither we nor the Italian delegation thought it was an unacceptable condition.

I can sum up saying that it is important that you realize that we do not view the history of the agreement as one where we have had everything our way, and have refused to bring 1948 to the level where it would reflect changes in the Italian economy and in the air relationships between us. This does not answer the question of whether we now have a proper balance, but it does answer the question whether the US has acted unreasonably.

2. Capacity. You call this a difficult and a ticklish question. All right, but there is some question if it is a necessary problem. We look forward with interest

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to your document and we will examine it with an open mind. But you might keep the following in mind: a) in the last analysis we find unacceptable a rigid division of the market; b) we would find unacceptable any system which by its operation would lead to such a division of the market; c) I am aware that you are used to doing it one way and we are used to doing it the other way, and that there is no divine law that says one of us is right and the other one is wrong, but the fact that we have a series of agreements with other countries does put a limitation on our ability to move on this - especially when we are dealing with an air power of such importance as Italy.

3. Balance of exchanges. I am gratified that we have understood each other rather well. We do not talk about a balanced agreement, as meaning revenues must be equal, but rather that there must be an opportunity to get equal revenues.

4. Geographical position. Perhaps we have exhausted this subject but we should note that in service between the US and Italy, Italy can serve any points it wants to beyond Italy. If we wanted to, and I stress that we do not want to, we could say that Italy could serve only New York-Rome-Athens-Beirut. We are not inclined to do this, but we point out the equality that Italy has in its opportunity to take passengers anywhere beyond Rome, that this is not restricted by us, and that this is an important economic factor.

5. Numbers of tourists and relevance of origin as compared to destination. This argument has too many similarities to the finer points of St. Thomas Aquinas to interest me. Except, let me be brutal about this, considering the scope and flexibility of US services and the fact that we sit on top of the world's richest market, our carriers believe that in the last analysis, Italy needs the US more than the US needs Italy. This is not an issue or an approach we want to push. We want to make an agreement that is favorable to both sides. But to our carriers it is an economic consideration they frequently mention. I suppose it stems from the fact that they believe the person who controls origins and has alternate destinations has some advantage in purely economic terms. General Santini and I discussed in a recess whether it is more relevant if a passenger comes from New York or wants to see the Colosseum. We did not get very far, and I don't think we should spend much time on this.

6. Alitalia's growth. I meant this to be a compliment. I have flown many times on Alitalia and came here from Paris on Alitalia. I have studied their financial and operational record and it reflects well on the airline and on the kind of support the Italian Government has given the airline, as well as on Italian economic resurgence. We have seen Alitalia's 1965 annual report and note with pleasure that they assume great growth in the future. We assume they are right and we are happy about that.

7. Designation of airlines. This is another situation where it is hard to say in doctrinal or definite way that our methods of designation of more than one carrier in heavy markets is wiser than designating only one. Obviously we think it is,

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and have recently reconsidered at high levels to see if the policy is right from our point of view - if it helps air transport and stimulates it. We came to a clear answer, "yes". In view of that, your proposition that one carrier would be sufficient would, to put it mildly, create very serious difficulties for us. In terms of bilateral relations, we think one factor in thinking about this is the total absence of a showing that this has been harmful to the foreign carrier.

8) You mention approval of programs. I don't think this ought to be a difficult problem. I want to stress that while we have procedures that require filing papers and take some time, we have never, ever, with anybody, refused permission for an operating right granted by an agreement between two governments. It is perhaps cumbersome, but it is generally expeditious, although for other reasons it may not have been in the case of Lisbon. We do not object to other Governments making parallel requirements. I am going to ask you to clarify what you have in mind for Italian procedures and exactly what you mean when you say that everyone complies with your procedures but the US carriers.

9. On the question of rates I won't say anything except that we look forward to your proposals. We are not now in a position to evaluate what you have in mind.

10. Draft of new agreement. I think there has been a misunderstanding of what I said yesterday. I asked whether the Italian delegation wants to modify or amend all the other paragraphs in the agreement about other matters, or whether we can stick to the old text except for the schedule and those things we have been discussing. That is really what I want to know, more than receiving a draft text.

11. About discussing the schedule first, I have not had much chance to think how the February meeting ought to go. Off-Hand I don't find any problem with what you suggest, although we feel there are many important matters involved, and even if we agree on the schedule we may not still reach full agreement. In any case our ability to move the February proceedings forward, and complete our work as quickly as possible, would be enhanced if we knew precisely what your Government's desires are for routes, and your priorities.

12. Cargo services. I do not believe that cargo services have yet been alluded to in these talks. We can concede that cargo is not the same as passengers and we would conceivably be prepared to consider specific provisions for cargo, but our position is clear that, first, the present agreement makes no distinction between passengers and cargo no matter how the cargo is carried, and second, we would not be prepared to accept pre-determination or market splitting on cargo any more than we would on passenger services.

Ambassador Capomazza: I am not speaking but thinking aloud. Do you think we should have another meeting this afternoon?

Mr. Loy: There are some things we do not understand, and it would be helpful to have answers if you could give them: 1) clarification of the approval question. What do you have in mind? 2) We know the agreement was so offensive that you were forced

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to denounce it. The most difficult thing you found was an inappropriate, unequal route schedule. What would you consider an appropriate, fair route schedule? In the event your route list is long, which routes do you consider more important? 3) The second issue raised by denunciation is the text in other areas - are you in a position to say something about that?

Ambassador Capomazza: Let us first start with the secondary matter. It would be all right to have an afternoon meeting for an exchange of views, at 4 o'clock. It would be useful but not sensational.

Mr. Loy: We would be happy to be here at 4.

Ambassador Capomazza: On whether we would want to redraft the new agreement, our minds are already set. We said we consider the present agreement dead. You have fairly and kindly accepted our point. This does not mean we have to change all the words in the old agreement just to have something new. So in the new agreement there may be clauses, not important ones, that we would accept as they are.

Mr. Loy: We understand from your remarks you find it desirable and important to have a new agreement that might contain new parts, but also relatively unchanged parts of the present one. This is acceptable to us. We may want also to make changes in some provisions we have not yet touched on but they ought not to be troublesome and our interests in them are probably similar.

Ambassador Capomazza. This will make it easier for us. Let us adjourn.

PART VI

Before the afternoon meeting was convened, Ambassador Capomazza presented the guidance the Foreign Ministry had prepared for the press. It was acceptable to the US side after a change had been made to show that in Washington we would "passare alla negoziazione del nuovo accordo" instead of just having the next meeting. The press guidance gave some emphasis to the denunciation; the US side found this acceptable since it was obviously intended for local consumption.

At 1615, Ambassador Capomazza reconvened the meeting and made a statement along the following lines:

I shall try to answer the points left for this afternoon.

1) Schedules. We are prepared when we meet next time to give you a schedule of the routes we think should be in the annex. On that occasion we hope the US will clearly specify the points beyond and the intermediate points that its air company intends to serve. We wish to say our line of thought will be very open, having said before it is not our intention to restrict but rather to make larger the route schedule, so long as it is more balanced. We hope you will be able to take the same line.

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On the subject of reaching a well balanced agreement, may I repeat that, in the view of the Italian delegation, revenue is not the only determining element for deciding whether an air agreement is well balanced or not. Revenue is dependent on a multiplicity of components. However, the Italian delegation has no difficulty in following the American delegation along this road, but would like to underline the fact that revenue flowing to American carriers because of their operations on Italian points is by far superior to that which has benefited the Italian carrier from operations on US points. In the view of the Italian delegation, the problem should be encompassed in these terms: it is necessary to determine route schedules in such a way as to give the carriers designated by both parties equal potential traffic possibilities; this is the only hypothesis in which an air agreement could be considered well balanced.

The Italian delegation expects an equally open attitude on the part of the United States. In other words we expect equal opportunities.

While I have no doubt that 60 percent of all international air passengers are of American nationality, I do not think that the percentage should be regarded as a measure which would establish the right of American carriers to transport an equivalent amount of passengers. If such a right were to be claimed, I may state right now that it would be contested by the Italian delegation. In the first place air transportation is international in character and every carrier has the right to transport passengers of any nationality without limitation on the routes on which they are allowed to operate. Furthermore air transportation is, in a sense, a relationship between a point of departure and a point of arrival (without one of these relating points transportation would not exist). And this of course is independent of the nationality of the passengers.

2) Approval of timetables. We have a procedure based on our laws and regulations, and its aim is to verify that a company presenting a new timetable conforms to its rights under its bilateral. We also apply these rules for technical reasons: airport requirements, ground assistance, flight control, air defense, and so forth. When the timetables conform, these permits are granted in a few days and sometimes even by cable. We have in recent years included in every new agreement a statement that outlines this procedure. We would like to include this clause in the new agreement with the United States.

We have taken due note of Mr. Loy's statement in regard to designation of carriers. The Italian delegation would like to add that it believes that many problems that have arisen between the two Governments could have been avoided or could have been solved with greater ease if each party would have had only one carrier.

Now, I would like to ask Mr. Loy to clarify a point. He spoke of wanting to know our priorities. We are not clear as to whether you mean which routes we consider more important, among those we are going to ask for, or whether you refer to the priority of the subjects to be discussed.

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Mr. Loy: The former. We assume you have several route expansions you might consider desirable. We have indicated our willingness to look at such requests, without any implication that they would be granted. But we wondered if you might have a priority among the route expansions - some you might feel more important to you than others.

Ambassador Capomazza: With this we enter into the core of the negotiations. We understand you cannot enter this area without the presence of carrier representatives. So we had better defer comment on this point. There are certainly priorities, but honestly, we have not yet made up our new route schedule. It should follow along the lines of previous discussions, perhaps with some new route ideas. Alitalia is a bird that likes to fly, and it is not afraid to fly around the world. But this we would like to leave for later.

Mr. Loy: On the subject of route schedules, I think we take the position that since it is the Italian view that the present situation is not satisfactory, that it would be helpful if you would indicate what you would find more satisfactory. If that is done the first day of the next meeting, all right, but it will take days for us to figure out the meaning and significance and value of the various suggestions that will be made. If it would be possible to submit them some in advance, it would help, but this is up to you. We seek no tactical advantage, but only efficiency. It is in this connection that, if there are a multiplicity of route demands, an indication of priority would help.

As for our routes, we want essentially to maintain in a general sense the rights we now have in areas we are now serving or that are contemplated in the present agreement. I am aware of past questions whether our present agreement permits us to serve South or East Africa. Letting that pass for the time being, I may say that if the new schedule makes important additions to Italy's routes, we would probably try to get East and South Africa and beyond. Generally what we need is the ability, with some flexibility, to serve routes in the public interest that make economic sense. They should not be too tightly defined due to uncertainties in the Middle and Far East. I don't mean that they should be totally open, but neither should they be totally restricted. It doesn't make sense in this age of dynamic political and travel events.

On timetables, I understood what you said. We are generally aware of the practice of which you speak. We would like to have a copy of another agreement showing the clause you have been putting in to recent agreements.

Mr. Watson reminds me to again stress that the sooner we have the opportunity to consider new route questions, the more expeditious our work can be. We do not wish to be mysterious. We are dealing in economic and commercial opportunities. We have to judge the values involved and we will not be able to satisfy our public or the carriers without going through this effort.

Ambassador Capomazza: We will try to let you have our schedule a week before the next meeting. We are agreed on the concept of equality of opportunity. We could

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exchange route schedules through our Embassies - you give us yours and we will give you ours. You have a precedent in your route schedule with Great Britain which is a good example of the kind of thing we have in mind.

Mr. Loy: We will consider that and try to do that. But you understand that we are quite happy with the schedule as it stands. To some extent you are asking us to engage in self-denial - but we are people of weak character and we might find this difficult. I'm not clear on the extent to which we can do this, but we will try to aim for an exchange beforehand.

Ambassador Capomazza: We have said we are unsatisfied. We have also said we do not wish to restrict the scope of the schedules. Suppose you let us know what you would be prepared to do to equalize it.

Mr. Loy: I don't think we could go very far in considering what you might want without knowing what you think our side should look like. We can't enter into a bargain where, in giving the Italian side new concessions, we at the same time limit our possibilities of operating sensibly through Italy. When you referred to being more specific and precise, what do you mean?

Ambassador Capomazza: We mean geographically more precise - to New York this way - on this way. The whole negotiation will depend on the way you will meet us on these requests. We don't want this beyond to be so general, but to be geographically specified. Not Rome-Tel Aviv-Tehran, but perhaps Rome-Middle East.

Mr. Loy: Not Middle East - or Near East - we had an arbitration on that! I don't know why this is so important except that in the past we have had some difficulties with Africa. Anyway, we might say a point or points in an area that a certain description encompasses. I'd be against saying Beirut, for example, because if the country had a revolution and we had to renegotiate every time we had to change a route for that sort of reason, it would be endless.

Ambassador Capomazza: We are also not very happy with the Steinbeck formula - East of Eden - but we should be able to work something out.

Mr. Loy: Well, this may be a problem because our carriers do go to the Far East and our travellers go there. We have recently had trouble with two of our points there, and we would expect that these difficulties would be alleviated in the new agreement.

Ambassador Capomazza: We are negotiating a new agreement. It is not just a formality that you should present a new route schedule. So the best way would be for us to exchange route schedules through our Embassies ten days before the next meeting. Also this is so that we can ascertain what the value are. We have to start with a base of where each side goes. So this is your opportunity to ask us for the North Pole.

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Mr. Loy: All right, a week or ten days before the 20th.

I'm not sure you will have anything to say on this next subject, and I don't want you to speak on anything if you are not prepared to. It struck us this afternoon that we are still somewhat in the dark on what you have in mind on rates. You said you have no piece of paper, and we understand, but what is it you would like to see in the new agreement in general terms?

General Santini: There is nothing new in what we ask. In the past IATA has approved rates that CAB has later disapproved. On the other hand, CAB has approved rates that other countries have not approved, but that have gone into effect anyway. We want rates to be agreed on between both governments, and until they are, the present rates would continue to apply. The US tends toward lower rates, and in Italy there is the same tendency. At Montreal, the Italian delegation made a declaration asking for lower tariffs. Thus what we want is not to be feared. But new rates should be agreed upon and until this happens the present tariffs should remain in effect.

Mr. Loy: As a matter of clarification, it is my understanding that under the present arrangement, if a new rate is filed with the Italian authorities and disapproved, and not resolved in consultation, the Government of Italy can prevent the new rates from becoming effective. If that's right, that's one of the principal things you are asking for in the new clause. What is in the new proposal that is new or different from the present power you have to reject proposed rates?

General Santini: In effect, you are right. The present agreement gives this power to the Government of Italy. But in practice it has not worked out this way. Three years ago there was a controversy between Europe and the US on this. Italy felt constrained to apply rates you had approved but that we had not approved.

What we need is a clear rule that will prevent controversies from arising. In other words, we need to define the mechanism of how rates are created, approved, enter into effect, and cease being effective. Above all, we must establish in unequivocal terms that the entrance into effect of a certain rate must be agreed and approved by both parties and that in any case, until a new rate has been agreed and approved, the former rate shall continue to apply. The Italian delegation wishes to make clear that the procedural system we are proposing creates no conditions on arriving at any agreement on rates in order to promote the development of air transport in the public interest.

Mr. Loy: That is a usefully clear, and helpful explanation, and it answers my question.

I have a similar question and again don't know whether you will want to go into this, but again at midday we discussed the question of capacity and realized we have no idea at all as to the proposals or even to the tone or direction of the proposals that may be made by the Italian side. Considering our well-known sensitivity on this, I thought we would ask if there is anything more you can say at this time or whether you prefer to defer.

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Ambassador Capomazza: It seems to me to be premature now. Perhaps we can submit something at the same time as the schedule.

Mr. Loy: All right. That's all, except of course for the question of the next meeting.

Ambassador Capomazza: You had picked out Monday, February 20, and this is agreeable to us as it meets our other engagements. We would like to establish as of now that we are going to stay a certain fixed time in Washington. Perhaps to the end of the month or a few days into March.

Mr. Loy: I have to be honest when I say I am reluctant to agree on a specific maximum period. It is hard to say how much time will have to be spent in one sitting. I have found it not necessarily best to break up after three weeks, and unpleasant as it may be, longer stretches may be necessary. We recognize it is not possible under certain circumstances to go on indefinitely; our notion would be to start, and go on as long as something is being accomplished.

Ambassador Capomazza: We have talked about alternation. You indicated a strong desire for Washington, but later said this was not so firm. We have no difficulties with Washington. Also, you will be finding me flexible. I am not a Russian and don't say NYET. If things are going well, fine. But if after a couple of weeks we are getting nowhere, we could decide to break and you come to Rome after a couple of weeks.

Mr. Loy: I would like to give you my feel of the matter, and that is that two weeks is too short by any standard of experience that I have. I would like not to put a firm cut-off date at all, but I would urge that you and we keep our calendars open until at least the 11th of March.

Ambassador Capomazza: Santini is the busiest on our side, and he hopes this means you intend to work hard to get the most done by then.

Mr. Loy: We will expect to go into this with considerable energy, including not observing Washington's birthday on the 22nd. The date and place are satisfactory, and I think we understand each other on timing.

Ambassador Capomazza: How do you see our work in Washington? Since it is not just a question of amendments this time, would it be a good idea to split into sub-committees?

Mr. Loy: I would like to write you a letter later about my views on the way the meeting should go. But except for drafting, I have found subgroups unsatisfactory, and have found they cost, rather than save, time. To some extent, of course, we will have to improvise, because on some days one of us may not be prepared to talk on a certain subject. (In answer to a question on airline representation:) We will

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have present an ATA member representing all carriers, but only as an observer and not speaking. (Ambassador Capomazza said Alitalia would also be represented.)

Ambassador Capomazza: Well, we have gathered some useful information, perhaps you more than us. You will find us friendly and cooperative in Washington. We also have a problem of public opinion, and we will have to bring something home with us.

Mr. Loy: Thank you. We think these talks have been useful. We are not as far advanced as we might have been, but we wanted it to be only a preliminary discussion. We will also work hard to bring the negotiations to a successful conclusion. We hope we can do this relatively quickly, although there is no great assurance of that.

The meeting adjourned at 1725.

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